



UNDERGROUND GAS STORAGE LEASE

NO.

MICHIGAN DEPARTMENT OF NATURAL RESOURCES
FOREST, MINERAL AND FIRE MANAGEMENT

By authority of Part 5, Section 502, 1994 Public Acts 451 as amended.

This Lease, made and entered into this day of , 20 ,

By and Between the DIRECTOR OF THE DEPARTMENT OF NATURAL RESOURCES for the STATE OF MICHIGAN. Hereinafter called "Lessor," whose address is P.O. Box 30452, Lansing, Michigan 48909-7952 and , whose address is , hereinafter called "Lessee."

WITNESS, that the State of Michigan is the owner of all gas storage and/or mineral rights lying within or under any of the land described below, and Lessor has the authority to lease the land for the storage of natural gas.

The Lessor for and in consideration of a cash bonus paid to it, and of the covenants and agreements herein contained on the part of the Lessee to be paid, kept and performed, does hereby grant, demise, lease, and let, without warranty, express or implied, unto the Lessee for the sole and only purpose of underground storage of natural gas, together with the right to enter thereon for such purposes, and drill into and through but not below the leased lands, as described herein, and to possess, use and occupy so much of the surface of said lands as is necessary and convenient for the purpose of drilling wells, laying and operating pipe lines for injecting, storing, recovering and transporting natural gas to and from said well, and other wells located on adjoining and adjacent premises which are a part of this storage system, all of the following described land situated in the State of Michigan:

COUNTY TOWNSHIP
T , R

Parcels

Description	Section	Acres	Equity
			Min %
			Sur %
			Min %
			Sur %

Stipulations

Containing acres, more or less.

A. TERM OF LEASE

1. It is agreed that this lease shall remain in force 'for a primary term of seven (7) years from this date, or so long as natural gas is stored and facilities are maintained.
2. The Lessor agrees that it may grant to the Lessee an extension of the primary term of this Lease. Such extension of the Lease Date--as to any or all of the lands leased hereby--will be considered upon written application by the Lessee and payment of an extension fee. Extension requests must be made in writing and must be accompanied by an extension review fee of \$250.00 per lease. Extension requests must be submitted at least 30 days prior to the expiration date of the primary term.
3. All applicable laws and administrative rules are made a part and condition of this lease. No administrative rules made after the approval of this lease shall operate to affect the primary term of lease, rental or acreage, unless agreed to by both parties.

B. ECONOMIC TERMS

1. Rentals

Lessee shall pay to Lessor rental as follows:

- a. The rental rate shall be \$5.00 per acre per year for the period of the primary term of the lease. This amount will be adjusted on each seven (7) year anniversary date of this lease. The adjustment will be determined by the percent of change in the Detroit Consumers Price Index (posted by the U.S. Department of Labor's Bureau of Labor Statistics) for the previous seven year period.
- b. All rental payments shall be paid annually in advance of the lease anniversary date. Lease rights shall terminate and the Lessee shall be required to file a release with the Lessor as hereinafter provided wherever any rentals coming due under the lease shall be and remain unpaid for a period of fifteen (15) days after receipt of certified notice from Lessor.

C. DEFAULT OF LEASE

1. In the event Lessor shall determine a default in the performance by Lessee of any express or implied covenant of this lease, Lessor shall give notice, in writing, by certified United States mail, addressed to the Lessee's last known address, specifying the facts by which default is claimed. Except as to rental as herein provided, Lessee shall have thirty (30) days from receipt of such notice in which to address the obligation of Lessee, if any, with respect to Lessor's notice.
2. No tools, fixtures, machinery or other property of the Lessee shall be removed from said premises, if any payments are due to the Lessor, and all sums due shall be a lien on all implements, tools, movable machinery, and all other chattels used in operating said property, and also upon all of the unsold oil and/or gas obtained from the land herein leased, as security for the payments. Such lien may be foreclosed in the same manner as chattel mortgages are foreclosed.
3. Lessee may at any time remove all machinery and fixtures placed on the leased premises, provided, however, that said Lessee has complied with and fulfilled all other provisions of the lease as herein provided.
4. Should Lessee be prevented from complying with any express or implied covenant of this lease, after effort made in good faith, for any cause beyond the reasonable control of the Lessee, such as, but not limited to war, rebellion, riots, strikes, acts of God or an order or rule of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended upon proper and satisfactory proof presented to the Lessor in support of Lessee's contention. Lessee shall not be liable for damages for failure to comply there-with except in the event of lease operations suspended for wrongful acts or omissions of Lessee. This lease shall be extended as to such portion of the leased premises as, while, and so long as Lessee is prevented, by any such cause, from utilizing the leased premises for gas storage operations thereon or therefrom, provided, however, that nothing herein shall be construed to suspend the payment of rentals during the term of the lease.
5. Before a lease will be executed for any State lands, unless waived by the Lessor, the Lessee shall file a Surety bond, irrevocable Letter of Credit or Cash bond acceptable to the Lessor, to insure that Lessee, its heir, executors, administrators, successors, and assigns, shall faithfully perform the covenants, conditions, and agreements specified in the lease, and the applicable laws and rules of the State of Michigan.
6. Lessee shall keep in full force and effect a sufficient bond to cover the acreage held under the gas storage lease as heretofore specified. If the amount of bond in effect becomes depleted or partially depleted because of any claim or claims, Lessee shall file a new bond as required by the Lessor.
7. Lessor may invoke part or all of the bond when it determines that part or all of the covenants, conditions or agreements specified in the lease are not being fulfilled. Invoking the bond is not necessarily related to any actions taken by Lessor under part C (1) above.

8. If Lessee fails to address any claim of default as herein provided the Lessor may proceed, at its sole discretion, with forfeiture of all or part of said leased premises in accordance with the provisions of Act 81 of Public Acts of 1929, being sections 554.281 and 554.282 of Michigan Compiled Laws.

D. ASSIGNMENTS AND CONTRACTS

1. It is expressly understood and agreed that no assignments of this lease, or any portion thereof, shall be valid except upon written approval of the same by the Lessor, and upon payment of an assignment fee as established by the Lessor.
2. Each and every clause and covenant in this indenture shall extend to the heirs, executors, administrators, successors, and assigns of the parties hereto.
3. On request of the Lessor the Lessee shall submit copies of contracts for the sale of oil and condensate under the lease.

E. SURFACE DAMAGE PAYMENTS

1. Lessee shall pay or agree upon payment to the Lessor for all damages or losses including any loss of the use of all or part of the surface), caused directly or indirectly by operations hereunder. This may include acquisition of replacement land by the Lessee for facility sites, pipelines or other installations.

F. RECORDS

1. The Lessor (with prior notice) shall have the right to examine the books of the Lessee insofar as they relate to gas storage rights herein leased.
2. The Lessor shall have free access to leased premises for the purpose of inspection and examination.

G. ENVIRONMENTAL TERMS

1. Any operations under this lease shall be subject to all applicable Federal and State laws and administrative rules now or hereafter in force. This lease is not in itself an authorization to drill, and the issuance of drilling permits for specific locations is subject to separate application and approval by the Supervisor of Wells pursuant to Act 61 of Public Acts of 1939.
2. No well shall be drilled a) in a wetland (as defined in the Goemaere-Anderson Wetland Protection Act 203 of Public Acts of 1979) b) in habitat identified as critical to the survival of species designated under provisions of the Endangered Species Act 203 of Public Acts of 1974; c) at a site designated by the Secretary of State to be of historical or archaeological significance (according to the National Historic Preservation Act of 1966 as amended); unless a drilling site can be mutually agreed upon to substantially eliminate negative impacts.
3. Notwithstanding areas identified in Section G (2), in areas identified by the Director of the Department of Natural Resources as having special wildlife, environmental and/or recreational significance, the Lessee and Lessor agree to negotiate a drilling plan to minimize impacts prior to submission of a drilling application by the Lessee. The Lessor reserves the right to exclude certain sites from drilling and/or production activities in such areas, provided such exclusions do not prevent Lessee from realizing its storage rights hereunder.
4. No well shall be drilled nearer than 1,320 feet to any lake or stream without the written consent of the Lessor.
5. No well shall be drilled within 300 feet of any inhabited 'dwelling' or public building, or within 200 feet of any building without the written consent of the Lessor.
6. Lessee shall route all pipelines from the well site to follow existing well roads or utility corridors and shall bury all pipelines below plow depth not less than three feet unless Lessor authorizes exception. Pipeline locations, as approved by the Lessor, shall be covered by easement(s) granted under the authority of Act 10, PA 1953. A map indicating all proposed pipeline locations shall be provided to the Lessor.
7. The Lessee shall commence removal of all debris and materials, such as timbers, boards, sheeting, tanks, pipe tubing, and any other equipment used in operating a lease or well, within one hundred eighty (180) days after the Lessee has filed notice of intent to abandon the storage facility, or longer at the discretion of the Lessor. The Lessee shall leave the premises in a safe and orderly condition. Upon failure of the Lessee to conform with these provisions, the Lessor shall have the right to enter on the property to repair damages and restore the property to a safe, and, sightly, condition at the Lessee's cost or to invoke the Lessee's performance bond.

H. OIL AND GAS RIGHTS

Where there are State-owned storage rights and State-owned oil and gas rights under lease, the oil and gas rights shall continue to be subject to the provisions of the existing oil and gas lease.

If the oil and gas rights are not under lease, the leasing of those rights are subject to an oil and gas lease that shall be negotiated at the same time as the storage lease, and shall be part of the storage lease.

I. LESSOR RIGHTS

1. Lessor reserves the right to use or lease the premises, or any part thereof, at any time, for any purpose other than but not to the detriment of the rights and privileges herein specifically granted.
2. Lessor reserves the right to sell or otherwise dispose of the premises, or any part thereof, subject to the terms and conditions of this lease.
3. Lessor shall not be liable for any damages resulting from failure of its title to rights included herein; provided, however, that if the Lessor's title fails as to any or all of the rights in the gas storage covered by this lease, the Lessor shall refund to the Lessee all payments made by the Lessee attributable to that part or portion of, or interest in, the title which has failed. Such refunds shall include interest at the rate of 1.5 percent per month, or at the maximum legal rate, whichever is less.
4. Should Lessor be prevented from complying with any express or implied covenant of this lease because of a force majeure (i.e., for any cause beyond the reasonable control of the Lessor such as, but not limited to, acts of God, legislation or rules of any governmental body, including budgeting constraints, any judgment or injunctive order entered by a court of competent Jurisdiction, acts of the public enemy, riots, strikes, labor disputes, labor or material shortages, fire or flood) then such covenant shall be suspended to the extent made necessary by the aforesaid force majeure.

J. LESSEE RIGHTS

1. Lessee may surrender all or any part of the premises herein leased by giving notice in writing to the Lessor, provided however, that the Lessee may not escape any prior obligations of the lease by filing a release. Upon surrender, Lessee shall execute and deliver to the Register of Deeds, in the county wherein the land is situated, for recording, a proper and sufficient instrument of release of all Lessee's rights and interest under this lease, insofar as they apply to the premises surrendered, and shall have said instrument delivered to the Lessor within ten (10) days after recording with Register of Deeds.

K. DEFINITIONS

1. "Actual drilling operations" shall mean and be defined as actual drilling and penetration of strata in a continuous manner either by rotary, cable or combination drilling equipment to reach the objective formation at the intended depth as specified by permit and shall include drilling, completing, reworking, recompleting and deepening.
2. "Condensate" means the liquid resulting when a vapor is subjected to cooling and/or pressure reduction. Also, liquid hydrocarbons condensed from gas and oil wells.
3. "Gas" means a naturally occurring mixture of hydrocarbon and non-hydrocarbon gases found in subsurface reservoirs, often in association with petroleum.
4. "Oil" means natural crude oil or petroleum, and other hydrocarbons that are in the liquid form in the subsurface reservoir and recovered as a liquid by ordinary production methods.

The said Lessor, by its Forest, Mineral and Fire Management, Manager, Mineral and Land Management Section, has signed and affixed the seal of the State of Michigan by virtue of action taken by the Lessor on _____, 20____, and the Lessee has signed and affixed its seal the day and year written below.

ACKNOWLEDGEMENT BY LESSOR

NATURAL RESOURCES DIRECTOR FOR
THE STATE OF MICHIGAN

By: _____
Lynne M. Boyd, Section Manager
Mineral and Land Management Section
Forest, Mineral and Fire Management

STATE OF MICHIGAN)
) §.
County of Ingham)

The foregoing instrument was acknowledged before me this _____ day of _____, 20____, by Lynne M. Boyd, Section Manager, Mineral and Land Management Section, Forest, Mineral and Fire Management of the Department of Natural Resources for the State of Michigan.

PREPARED BY:
Forest, Mineral and Fire Management
Michigan Department of Natural Resources
PO Box 30452
Lansing, Michigan 48909-7952

Notary Public
Ingham County, Michigan
My Commission Expires: _____

ACKNOWLEDGEMENT BY LESSEE

LESSEE:
By: _____

STATE OF _____)
) §
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20____ by _____

Notary Public, _____ County
Acting in _____ County

My Commission Expires: _____

This Lease was approved by the Michigan State Administrative Board on: